

The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

NIC-01854/87  
27 April 1987

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: Robert L. Hutchings  
Acting National Intelligence Officer for Europe

SUBJECT: April Warning and Forecast Report

I. MAIN DISCUSSION ITEMS

A. The Venice Summit

1. Discussion. Western leaders will meet in an environment clouded by economic problems and political uncertainty. Slow growth, trade disputes, and the reemergence of the LDC debt crisis will inform the economic discussions. Several of the leaders, with elections looming, will have one eye cocked to domestic politics. Most economic issues on the agenda are being negotiated in other fora -- G5, G7, and GATT; Allied leaders will be looking to us for progress on unresolved issues. The leaders will want to play safe and show unity for domestic political audiences and to blunt Soviet wedge-driving.

2. Warning Notice. Previous summit agendas have been skewed by late-breaking events, and this year's should be no different. INF negotiations are the most likely wild card for the Venice Summit, and the Soviets may seek to sow intra-alliance discord by pushing us for an early response to Gorbachev's proposal or by broaching a new initiative. Additionally, with Italian elections expected in June, Andreotti (or others) may try to capture the limelight by pushing a joint initiative on the Middle East or Third World debt.

25X1

CL BY SIGNER  
DECL OADR  
DERV MULTIPLE

~~SECRET~~

25X1

## B. Aegean Aftermath: Turkey and the DECA

1. Discussion. Last month's Aegean crisis demonstrated how quickly the two sides can approach a war footing -- without much intelligence warning. And Greece's willingness to mobilize its forces during the latest crisis may make the Turks more likely to follow suit the next time around.

25X1

The Aegean dispute has also complicated US-Turkish DECA negotiations. The Turkish government believes the "Greek lobby" to have been unleashed in Washington; under pressure from the military and parts of the political establishment, Ozal is likely to press harder for tangible "rewards" for its renewal of the DECA. The Turks understand the economic pressures affecting Congressional deliberations; their position on DECA is more likely to be influenced by (a) the extent to which they are persuaded the US Administration is doing all it can to deliver the promised aid and (b) pejorative language attached to any Congressional legislation. In the long run, US-Turkish relations would be more threatened by tough Congressional criticism of Turkish policy than by reductions in military assistance.

2. Warning Notice. Abrogating the DECA would be a dramatic -- and unlikely -- move. If the Turks fail to receive the aid package they seek, they are more likely to consider such intermediate steps as slowing down military cooperation called for in the DECA. By refusing to sign the DECA side letter, they may also consider falling back to the 1980 agreement (without formally renegotiating the 1987 DECA).

25X1

## C. Prospects for Yugoslav Stability

1. Discussion. Belgrade's economic situation has shown no improvement, and none is in sight. Large financial gaps this year and next require more rounds of rescheduling by Western banks and governments. Negotiations will be complicated by Belgrade's refusal to accord the IMF a major role. Domestic austerity continues to force stagnating or falling living standards, and the regime has not been able to get a grip on inflation.

SECRET

25X1

Austerity measures have given rise to a series of strikes and protests, but the political system seems sound enough to survive increased unrest. The regional focus of most political activity, crosscutting ethnic differences throughout the country, and the relative openness of political expression and the media all militate against the development of a strong and broad-based opposition that would topple the Mikulic government or break apart the Yugoslav federation.

2. Warning Notice. Yugoslavia has muddled through several years of economic crisis, and the central government has been quick to retreat from measures likely to provoke serious unrest. The potential for unrest has been present for a long time, however, and economic factors are adding to pressures. Incipient instability would be signalled by any of several indicators:

- Sympathy strikes that indicate growing organized opposition to the regime;
- Politically-motivated strikes unrelated to wages;
- Increased ethnic tensions or tighter security precautions in Macedonia or Kosovo;
- Tougher policies by the tolerant leaderships of Serbia and Slovenia; and/or
- Growing preparations for a crackdown by the security and military committees of the State Presidency.

25X1

## II. MONITORING ITEMS

### A. UK: Election Outlook

1. Discussion. Prime Minister Thatcher's intentions are still unknown; we should know within a few days whether she will call elections for June or defer them until fall. With Labor's decline in the polls, attention now centers on the growing strength of the Liberal/SDP Alliance and its potential role in a new government (particularly if Labor seeks to weaken the Tories by selectively supporting Alliance candidates). The Tories seem poised for a relatively easy victory, but the possibility of a hung parliament remains; and the Alliance is likely in any event to play a greater role in the next parliament.

25X1

SECRET

25X1

SECRET

25X1

B. Portugal: Election Outlook

1. Discussion. President Soares has called early elections for 19 July; the probable outcome will be to strengthen the center-right at the expense of the left. Soares' decision to bypass his own Socialist Party's bid to form a new government effectively removed the prospect of increased Communist influence. But the mere fact of new elections reveals the continued inability of Portugal's still new democracy to sustain a stable government.

25X1

*Robert L. Hutchings*  
Robert L. Hutchings

SECRET

25X1

**Page Denied**

Next 1 Page(s) In Document Denied